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Provisional

5973rd meeting

Thursday, 11 September 2008, 10 a.m.
New York

President:	Mr. Kafando	(Burkina Faso)
Members:	Belgium	Mr. Grauls
	China	Mr. Liu Zhenmin
	Costa Rica	Mr. Urbina
	Croatia	Mr. Jurica
	France	Mr. De Rivière
	Indonesia	Mr. Natalegawa
	Italy	Mr. Terzi di Sant' Agata
	Libyan Arab Jamahiriya	Mr. Ettalhi
	Panama	Mr. Arias
	Russian Federation	Mr. Dolgov
	South Africa	Mr. Kumalo
	United Kingdom of Great Britain and Northern Ireland	Sir John Sawers
	United States of America	Mr. Khalilzad
	Viet Nam	Mr. Le Luong Minh

Agenda

Non-proliferation

Briefing by the Chairman of the Security Council Committee established pursuant to resolution 1737 (2006)

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08-50335 (E)

The meeting was called to order at 10.10 a.m.

Adoption of the agenda

The agenda was adopted.

Non-proliferation

Briefing by the Chairman of the Security Council Committee established pursuant to resolution 1737 (2006)

The President (*spoke in French*): The Security Council will now begin its consideration of the item on its agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

At this meeting, the Security Council will hear a briefing by His Excellency Mr. Jan Grauls, Chairman of the Security Council Committee established pursuant to resolution 1737 (2006). I now give the floor to Mr. Grauls.

Mr. Grauls (Belgium): This is the seventh 90-day report to the Security Council in accordance with paragraph 18 (h) of resolution 1737 (2006). The report covers the period 14 June to 11 September 2008, during which the Committee held one session of informal consultations. Allow me to begin by updating the Council on a matter I referred to in my previous report.

The Council may recall that, following media reports that a State had publicly announced a contravention of resolutions 1747 (2007) and 1803 (2008) on its territory with respect to the export ban on arms and related materiel from Iran, the Committee addressed letters to the two States concerned seeking clarification and additional information. The Committee has received a reply only from the State that made the announcement, providing explanations of the actions taken by that State to address the situation and containing assurances that that State would continue to fully implement the relevant resolutions.

I shall now turn to issues relating to the implementation of resolution 1737 (2006). Paragraph 13 (d) of the resolution contains an exemption to the assets freeze for activities directly related to the items specified in subparagraphs 3 (b) (i) and (ii) of the resolution, which have been notified by the relevant States to the Committee. The Committee received one such notification from the International Atomic Energy Agency.

Paragraph 15 of resolution 1737 (2006), which also contains an exemption to the assets freeze for contracts entered into prior to the listing of persons and entities in the annexes to resolutions 1737 (2006), 1747 (2007) and 1803 (2008), provides for notifications by the relevant States to the Committee of the intention to make or receive payments or to authorize the unfreezing of funds for that purpose. The Committee received one such notification.

The Committee also received a letter from a Member State informing the Committee of the delivery of items relevant to the construction of the nuclear power plant in Bushehr, Iran.

With regard to reporting by States on their implementation of the relevant measures in all three resolutions, the figures are as follows: 89 reports under resolution 1737 (2006), 76 reports under resolution 1747 (2007) and 56 reports under resolution 1803 (2008).

Let me now turn to a specific measure under paragraph 10 of resolution 1803 (2008). In that paragraph, the Council called upon all States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in particular with Bank Melli and Bank Saderat, and their branches and subsidiaries abroad, in order to avoid such activities contributing to the proliferation-sensitive nuclear activities, or to the development of nuclear weapon delivery systems, as referred to in resolution 1737 (2006). Yesterday, 10 September, a member of the Committee provided to the other members a briefing on its efforts to implement paragraph 10 of resolution 1803 (2008).

Finally, Mr. President, two letters that were addressed to you and subsequently issued as documents of the Security Council — the first submitted jointly by France, the United Kingdom and the United States on 1 August and the second submitted by Iran on 15 August — were both circulated within the Committee for the information of members. The letter from the three States, which was copied to me in my capacity as Chairman, contained a list of banks domiciled in Iran and their branches and subsidiaries abroad. The list was intended to assist States in their implementation of paragraph 10 of resolution 1803 (2008). The letter from Iran was a direct response to the letter from the three States.

Lastly, the Committee received a written request for certain specific information from a Member State, which the members are currently considering.

The President (*spoke in French*): I thank Ambassador Grauls for his briefing. I now give the floor to the members of the Security Council.

Mr. Khalilzad (United States of America): The United States thanks the Chairman for his report on the actions taken by States in fulfilment of their obligations under resolutions 1737 (2006), 1747 (2007) and 1803 (2008) to take measures to counter the proliferation and development of nuclear technology and ballistic missiles by Iran. I must note that Iran continues to defy the continued demands of this Council to suspend its uranium enrichment programme and activities related to its heavy water reactor and has failed to cooperate with the International Atomic Energy Agency (IAEA) investigations.

The United States believes it essential that Member States fully implement the provisions of resolutions 1737 (2006), 1747 (2007) and 1803 (2008). We encourage all States to take actions that are complementary to those explicitly required by those resolutions, to achieve the international community's ultimate objective of persuading Iran to make a strategic decision to abandon its pursuit of a nuclear weapons capability. Full implementation of the resolutions will maintain pressure on Iran to change course.

We would like to call special attention to the need to implement the provisions of the Council's resolutions regarding Iran's financial institutions. The goal of those provisions is to ensure that Iran's financial sector is not used to fund proscribed nuclear proliferation or missile programmes.

As was mentioned by the Chairman, to help ensure that, on 1 August the United States, France and the United Kingdom distributed to the Council a list of banks domiciled in Iran, which included their branches and subsidiaries abroad. We hope that the sharing of that kind of information will assist other countries in carrying out their obligations under those resolutions. We note that those resolutions apply to all types of financial institutions, including banks and insurance providers.

The United States seeks to aid the Security Council Committee established pursuant to resolution 1737 (2006) in carrying out its mandate to examine information regarding alleged violations of imposed measures and to seek information from all States regarding actions taken by them to implement the imposed measures. It is in that vein that the United States provided a briefing to Council members on 10 September about our own efforts to implement the provisions of the Iran sanctions resolutions related to financial institutions, in particular paragraph 10 of resolution 1803 (2008).

By sharing best practices, we seek to assist other States in deciding how to carry out that vigilance, particularly because we have encountered a number of attempts by Iran to avoid sanctions through the use of deceptive financial practices. Vigilance is a matter for each Member State. We would encourage other countries to share their experiences so that we may help each other implement the provisions of those resolutions more effectively.

Finally, the United States objective remains a diplomatic resolution to this issue. Iran must fully and verifiably suspend its uranium-enrichment-related reprocessing and heavy-water-related activities and cooperate fully with the IAEA, as required by the Security Council.

Mr. Dolgov (Russian Federation) (*spoke in Russian*): We are grateful to the Permanent Representative of Belgium, Mr. Grauls, for his briefing on the work of the Committee established pursuant to resolution 1737 (2006) during the past three months. In that period, under the leadership of Mr. Grauls, the Committee has worked in strict compliance with the provisions of resolutions 1737 (2006), 1747 (2007) and 1803 (2008). It is our view that, in its future work, the Committee will continue to be guided by the spirit and letter of those resolutions in trying to achieve its main purpose — the effective settlement of the Iranian nuclear problem through exclusively political and diplomatic means and through talks on the basis of proposals by the six countries.

On that basis, we wish to comment on what we heard in the briefing and in the statement of the representative of the United States, Mr. Khalilzad, with respect to the national implementation of paragraph 10 of resolution 1803 (2008). In that paragraph, the Council calls on all States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in particular with

Bank Melli and Bank Saderat, and their branches and subsidiaries abroad,

> "in order to avoid such activities contributing to the proliferation sensitive nuclear activities, or to the development of nuclear weapons delivery systems."

We believe that this call is solely a reminder to States to fulfil the relevant requirements of paragraph 6 of resolution 1737 (2006). Thus, the reference in resolution 1803 (2008) to specific Iranian banks does not impose new restrictions regarding financial ties with the credit organizations of Iran. It was mentioned solely to send Iran a further political message on the need to comply with International Atomic Energy Agency and Council requirements in order to settle the Iranian nuclear issue.

States have the right to determine for themselves how they will be vigilant in the context of paragraph 10 of resolution 1803 (2008). If some States require guidance regarding implementation of that paragraph, the optimal solution — and the only solution necessary, as we see it — would be to refer to the 12 October 2007 guidelines of the Financial Action Task Force on Money Laundering on implementation of the financial provisions of resolution 1737 (2006). The Task Force's guidelines, as we all know, are only recommendations.

Mr. De Rivière (France) (*spoke in French*): First of all, I would like to thank the Permanent Representative of Belgium for the quarterly report that he has just shared with us. There are several elements in it that my delegation would like to highlight.

Failures to fulfil the obligations under the resolutions in question were pointed out to the Committee established pursuant to resolution 1737 (2006), and it had to respond. That shows that we all, as Member States that are bound by those obligations, must redouble our vigilance with a view to implementation. That is the case in particular with regard to respect for the prohibition on purchasing, transferring or procuring arms from Iran in any manner.

That also applies to the obligation of States under paragraph 6 of resolution 1737 (2006) to

> "take the necessary measures to prevent the provision to Iran of any... financial assistance, investment, brokering or other services, and the transfer of financial resources or services, related to the supply ... of the prohibited ... goods and technology".

That obligation is clear and unconditional and applies to all States Members without exception. The Council spelled that out further in its resolutions, whether by imposing sanctions on Bank Sepah or by mentioning the particular type of vigilance required with regard to Bank Melli and Bank Saderat.

The States Members are responsible for their own national legislations to implement those obligations. One thing is clear — those obligations are binding and every State must agree conscientiously to implement them. In the Committee and outside, we have heard from many States Members, international financial institutions and private enterprises that would like to obtain more information on how to implement financial vigilance. That concern is understandable. The effect on a reputation and the consequences of violating those obligations by financing those proliferation activities that the Committee is ordering Iran to suspend would be disastrous. That is why, together with the missions of the United States and the United Kingdom, we took the initiative of circulating a list of Iranian businesses that require particular vigilance.

I should also like to thank the mission of the United States for its expert briefings in the Committee on Iranian breaches of those financial requirements. My country, and I believe the Council as a whole, is at the service of any delegation that would like information and clarification on how best to meet its obligations.

Six months after the adoption of resolution 1803 (2008), Iran is clearly in violation of the rules set out by the Security Council — rules that are simple and easy for everyone to understand. Iran continues to develop a nuclear programme that it set up clandestinely, in violation of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and that the Security Council has asked it to suspend. Iran continues not to cooperate with International Atomic Energy Agency in clarifying the scope and nature of its activities. In particular, it has refused to reply to the Agency on the very clear signs of the militarization of the programme. Finally, Iran refuses to negotiate in good faith with the European Union 3+3, which have made some generous proposals, and last July in Geneva, in the presence of the Political Director of the United States, offered Iran a path back to dialogue.

That is a serious situation, weakening the entire NPT. If Iran continues to elude the scope of international law and at the same time to reject any type of dialogue, it will suffer increasing isolation, as the Council has pledged.

Mr. Terzi di Sant'Agata (Italy): I, too, should like to thank Ambassador Grauls for his comprehensive briefing and efficient leadership of the Security Council Committee established pursuant to resolution 1737 (2006).

Consistent with the position of the European Union, Italy remains committed to solving the Iranian nuclear issue through a dual-track approach based on political dialogue and full implementation of resolutions 1737 (2006), 1747 (2007) and 1803 (2008). In that regard, I wish to recall that, on 7 August, the European Council adopted the Common Position 2008/652/CFSP, aimed at implementing resolution 1803 (2008). That Common Position contains, inter alia, concrete measures to exercise vigilance, as required by resolution 1803 (2008), on relevant financial activities under the guidance of the Financial Action Task Force expressly mentioned in resolution 1803 (2008).

More broadly, I wish to underline that combating the financing of proliferation activities is a firm priority for Italy and an integral part of the global effort against the proliferation of weapons of mass destruction (WMD). Thus, the Italian authorities, and the Bank of Italy in particular, have issued several warnings and are reaching out to the banking system on the need to combat the proliferation of WMDs and the risk involved in maintaining business relations, even unknowingly, with entities connected to proliferation.

An outreach effort is under way to raise the awareness of the private sector of measures adopted pursuant to Council resolutions, and to follow that up concretely, a seminar, organized by the Ministry of Finance together with the United Nations Interregional Crime and Justice Research Institute, will be held on that issue in Rome on 25 September.

Sir John Sawers (United Kingdom): I should like to join my colleagues in thanking Ambassador Grauls for his report and for his work chairing the very important Committee established pursuant to resolution 1737 (2006). My delegation will continue to support him fully in securing the full implementation of resolution 1737 (2006), resolution 1747 (2007) and resolution 1803 (2008).

In order to assist in that task, the United Kingdom, together with our colleagues France and the United States of America, circulated the list of Iranian banks referred to in the report. We believe that sharing information and best practice is a useful and constructive way to improve overall implementation, and by providing additional information about Iran's financial institutions, we believe we can help Member States make better informed decisions on how to carry out their obligations under resolution 1803 (2008), including the call for Member States to exercise vigilance over certain institutions.

We encourage all members of the Council to be transparent and to inform the 1737 Committee of the actions that they have taken to implement the relevant resolutions. That is particularly important given the efforts Iran is making to evade the Chapter VII sanctions.

Last month, the European Union adopted a new Common Position that will assist the effective implementation of those resolutions, especially with regard to financial vigilance, and includes rigorous reporting requirements for Iranian banks.

As the report of Ambassador Grauls makes clear, there is no blanket ban on nuclear-related cooperation with Iran, and it is welcome that his briefing referred to a Member State following the required procedures before going ahead with work related Iran's civil nuclear power programme. We are not trying to prevent Iran having such a programme. In fact, we have offered Iran extensive support to develop its civil nuclear programme in the package provided by Britain, France, Germany, China, Russia and the United States, the so-called European Union (EU) 3+3.

However, we do have very profound concerns about Iran's intentions for its nuclear programme. Taken as a whole, Iran's nuclear activities make no sense to us unless Iran's goal is to develop a nuclear weapons capability.

Three steps are required of Iran. First, Iran must suspend all of its enrichment-related and reprocessing activities. Iran continues to flout that legally binding Security Council requirement for a suspension. Secondly, Iran must fully implement the Additional Protocol and the other measures demanded by the

International Atomic Energy Agency (IAEA). Without that, the IAEA continues to be unable to provide assurances on the absence of undeclared nuclear material and activities in Iran, and it will not be able to determine whether the nature of Iran's programme is exclusively peaceful. Thirdly, Iran must resolve outstanding issues of concern to the IAEA, including what the agency calls "the alleged studies", by delivering fully on all outstanding issues.

It is self-evident that Iran has not met its obligations under those three resolutions. The offer of the EU 3+3 remains on the table, but it is of great disappointment that Iran has not engaged seriously, despite the refreshed offer from the EU 3+3 and the direct participation of a representative of the United States in the meeting with Iranian officials.

Our objective remains a diplomatic solution to this matter and for the international community to be able to build up, over time, international confidence in Iran's intentions, but that requires a much more constructive approach from Iran. To date, its cooperation with the Security Council and with the IAEA has fallen woefully short. Our offer remains on the table, but given the absence of cooperation by Iran, we have no alternative but to start a discussion with our partners on further measures, as signaled in resolution 1803 (2008).

Mr. Liu Zhenmin (China) (*spoke in Chinese*): At the outset, I should like to thank the Chairman of the Security Council Committee established pursuant to resolution 1737 (2006) for his briefing on the work of the Committee and to express our appreciation to Ambassador Grauls for presiding over that work.

Since December 2006, the Security Council has adopted resolutions 1737 (2006), 1747 (2007) and 1803 (2008) on the Iranian nuclear issue. Those resolutions reflected the collective concern of the international community with regard to that issue and were aimed at maintaining the international non-proliferation mechanism in order to strengthen the authority and role of the International Atomic Energy Agency and to advance diplomatic efforts to peacefully resolve the Iranian nuclear issue.

All States have the obligation to implement those resolutions in a comprehensive and conscientious manner. China attaches importance to and has strictly fulfilled its obligations under those resolutions and has, in a timely manner, submitted three reports on their implementation. At the same time, we would like to emphasize once again that the sanctions are not an end in themselves and cannot fundamentally resolve the Iranian nuclear issue. The best option is to resolve the issue peacefully through diplomatic negotiations.

There is now a rare opportunity to resume the negotiations on the Iranian nuclear issue. We hope that the parties concerned will seize that opportunity, demonstrate flexibility and work hard to help the situation develop in a peaceful direction, seeking a comprehensive, lasting and appropriate resolution of the Iranian nuclear issue.

China has consistently supported maintaining the international non-proliferation mechanism and opposed the proliferation of nuclear weapons. We do not want to see any new turbulence in the Middle East region, and we advocate the peaceful resolution of the Iranian nuclear issue through diplomatic negotiations. We will continue to participate actively in the work of the Committee established pursuant to resolution 1737 (2006). We will support and cooperate with its Chairman in relevant efforts and seek to ensure that it plays a constructive role in properly resolving the Iranian nuclear issue.

The President (*spoke in French*): There are no further speakers inscribed on my list. The Security Council has thus concluded the present stage of its consideration of the item on its agenda.

The meeting rose at 10.45 a.m.